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REPORT NO. 2021-07

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DIST: Ken Burke, CPA, Clerk of the Circuit Court and Comptroller
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SUBJECT: Unannounced Audit of the Printing and Mail Services Department
(Mailroom) Change Fund

DATE: April 28, 2021

This letter serves to inform you that the Division of Inspector General has completed an unannounced audit of the Printing and Mail Services Department (Mailroom) Change Fund on March 29, 2021.

The objective of our audit was to reconcile the Change Fund and ascertain that the appropriate internal controls, safeguards, and policies and procedures are being followed, safeguarding the county funds under your departmental control.

Our audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and the *Principles and Standards for Offices of Inspector General*, and accordingly, included such tests of records and other auditing procedures as we considered necessary in the circumstances.



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The Printing and Mail Services Department Change Fund reconciled to the authorized amount. However, the department's internal controls and safeguarding of this fund are inadequate and there are non-compliance issues related to policies and procedures. The issues are noted below.

1. Printing And Mail Services Does Not Balance Its Change Funds In The Morning And Evening Each Day.

Printing and Mail Services Change Fund balancing procedures are not in accordance with the Court and Operational Services Divisions' Accounting Policies And Procedures Manual. Printing and Mail Services has an authorized Change Fund totaling \$250. The Change Fund consists of cash and postage stamps. Printing and Mail Services uses the Change Fund exclusively for the purchase and sale of postage stamps to employees. The sale of individual stamps and books of stamps are logged on the "Stamp Sale/Change Fund Log."

The primary custodian and alternate custodian balance the Change Fund weekly on Fridays and record the balance on the internal "Postage Change Fund Audit Form." Due to Printing and Mail Services exclusive purpose for the Change Fund, management considered it sufficient for its primary custodian and alternate custodian to balance the funds once per week to ensure accuracy. All departments with Change Funds are required to adhere to the standardized policies and procedures. Therefore, the same controls should exist for each department.

Section 2.41 of the Court and Operational Services Divisions' Accounting Policies and Procedures Manual states the following:

"Each morning and evening the vault funds will be balanced using the 'Vault Fund Balance Sheets.' "

The primary custodian and alternate custodian in Printing and Mail Services were not aware of the policy and thought that balancing the funds once per week was sufficient. The internal "Postage Change Fund Audit Form" contained the following management instructions:

"A Change Fund Audit should be done at least once per week and daily if needed to ensure the accuracy of the fund. Report any discrepancies immediately to the Manager."

Utilization of the "Postage Change Fund Audit Form" rather than the "Vault Fund Balance Sheets" is an acceptable alternative for the Printing and Mail Services Change Fund. However, the opportunity for the misappropriation of funds is created by the lack of auditing the funds on a daily basis in the morning and evening.

We Recommend Management balance the Change Fund twice daily in accordance with the Court and Operational Services Divisions' Accounting Policies and Procedures and record the balance on the internal "Postage Change Fund Audit Form."

Management Response:

Management Concurs. Change fund will be balanced twice daily in accordance with the Court and Operational Services Divisions' Accounting Policies.

2. Controls Over The Change Fund Are Inadequate.

Printing and Mail Services does not practice dual control over its Change Fund for the entire day. The Printing and Mail Services Change Fund is maintained in a cash box within the safe. Although the funds are maintained in a cash box, the key to the cash box remains in the lock permanently.

Printing and Mail Services is operational Monday through Friday from 7:30 a.m. until 5:00 p.m. The department's custodians and staff practice dual control when accessing the safe from the start of business at 7:30 a.m. until 4:30 p.m. The mail couriers continue to access the safe individually between 4:30 p.m. and 5:00 p.m., after all Printing and Mail Services employees have ended their shifts, to deposit departmental checks. We reminded the primary custodian the safe is to be accessed using dual control at all times. The primary custodian agreed but stated, during the last thirty minutes of each day, the mail couriers are authorized to access the safe individually and are trusted not to access the Change Fund at that time.

There are a total of seven employees who have access to the safe via the combination, and four of them are mail couriers. None of the mail couriers are Change Fund custodians. The director gave the department authorization for each of the seven staff members to have the safe combination. Due to the mailroom's small number of staff, the employees' work schedules, and the internal controls regarding depositing the departmental checks by the mail couriers, the mail couriers were authorized by management to individually access the safe to deposit departmental checks during the last thirty minutes of each day. Management did not perceive the presence of the cash box to be a risk during this period of time.

Section 2.41 of the Court and Operational Services Divisions' Accounting Policies and Procedures Manual states the following:

"No one person shall be in the vault at anytime. Two people including a cash custodian should be in the vault anytime the safe is open."

Cash accountability ensures that cash is accounted for, properly documented and secured, and traceable to specific cash handlers.

The authorization of the mail couriers to access the safe without custodial supervision at the end of the business day creates the opportunity for the misappropriation of funds. However, securing the cash box key after hours in a custodian's locked drawer would strengthen controls and provide accountability for the Change Fund.

We Recommend Management select a custodian to store the cash box key in the custodian's locked drawer before leaving at the end of the shift. A backup custodian should be selected for instances where the primary is unavailable.

Management Response:

Management Concurs. Cash box key will be removed from the cash box at the end of the shift and locked in a smaller safe with combination.

We appreciate your staff's cooperation during this audit.